

Shelton Canada Begins Drilling at Lelyaki Field in Ukraine

Shelton Canada | Tuesday, February 26, 2008



Shelton Canada Corp. and Ukraine's largest oil and gas company, Ukrnafta, will drill their second development well as partners in the Kashtan Petroleum Joint Venture. Located in the Lelyaki oil field in east-central Ukraine, the well No.307 is expected to spud in the second quarter of 2008. The new well has a projected total depth of 1960 metres and will be drilled as a directional well to further develop the P1&2 and K-1 productive reservoirs. Recently-drilled offset wells showed initial productivity of greater than 240 barrels of light oil (42 degree API) per day (net 108 barrels). Net drilling cost is expected to be \$450,000 Cdn and the well is in close proximity to pipeline infrastructure for rapid tie-in.

"This second well is an ongoing part of the Kashtan Joint Venture's plan to fully exploit the remaining oil reserves in the Lelyaki field through optimal placement of infill production wells," said Zenon Potoczny, President and CEO of Shelton Canada. "In addition, the Joint Venture anticipates re-entering and sidetrack drilling of four other suspended wells in different parts of the field during 2008. These well interventions show very good economics as the capital cost is much lower than new drilling. We have been very happy with the pool performance since it was acquired in mid 2007 and the first well (No.304) drilled post acquisition has averaged 185 barrels of oil (net 83 barrels) since coming on-stream in December 2007. Shelton's average daily production for 2007 was net 255 barrels per day. The Joint Venture sells its production at Brent equivalent pricing."

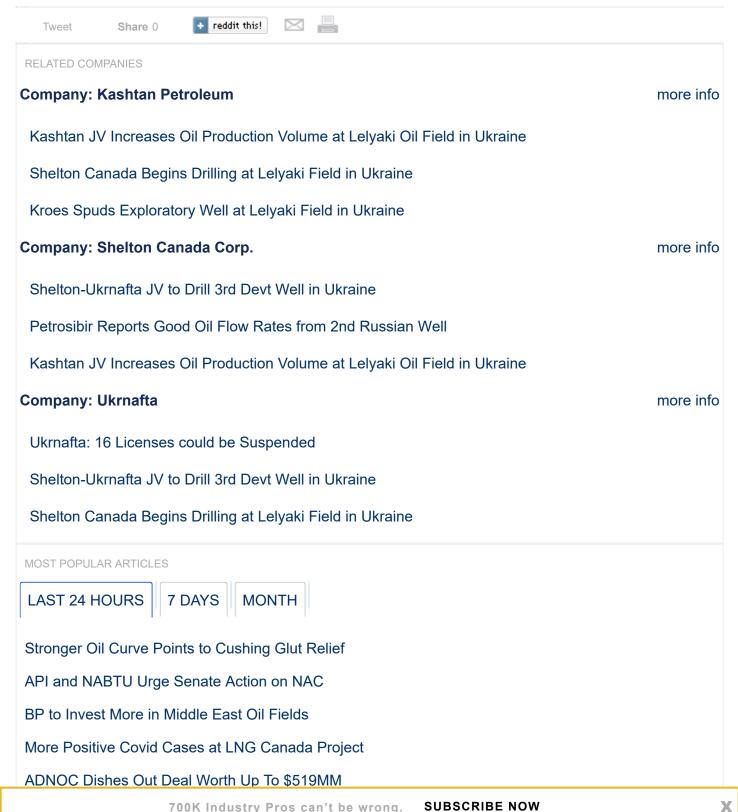
"Our strategic partnerships with leading Ukrainian oil and gas companies like Ukrnafta and Chernomorneftegas are a key reason for our success in Ukraine. Current net production is 350 barrels per day with further increases expected in 2008."

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Russian oil and natural gas to Europe. One of Europe's largest energy consumers, Ukraine also wants to increase production from its own basins. The country's proven reserves include 387 million barrels of oil and 39 trillion cubic feet of gas.





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